

Introduced by Senator Walters

February 27, 2009

An act to amend Sections 17039.2 and 23036.2 of the Revenue and Taxation Code, relating to taxation.

LEGISLATIVE COUNSEL'S DIGEST

SB 713, as introduced, Walters. Personal income tax: corporation tax: total business credit.

The Personal Income Tax Law and the Corporation Tax Law authorize various credits against the taxes imposed by those laws. Existing law provides that for each taxable year beginning on or before January 1, 2008, and before January 1, 2010, the total business credit, as defined, shall not reduce the taxes imposed by those laws below the applicable amount, as defined.

This bill would make nonsubstantive changes to these provisions.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 17039.2 of the Revenue and Taxation
- 2 Code is amended to read:
- 3 17039.2. (a) Notwithstanding any provision of this part or Part
- 4 10.2 (commencing with Section 18401) to the contrary, for each
- 5 taxable year beginning on or after January 1, 2008, and before
- 6 January 1, 2010, the total of all business credits otherwise allowable
- 7 under any credit under any provision of Chapter 2 (commencing
- 8 with Section 17041), including the carryover of any business credit
- 9 under a former provision of that chapter, for the taxable year shall

1 not reduce the “net tax” (as defined in Section 17039) below the
2 applicable amount.

3 (b) For purposes of this section, “business credit” means a credit
4 allowable under any provision of Chapter 2 (commencing with
5 Section 17041), other than the following credits:

6 (1) The credit allowed by Section 17052.6 (relating to credit
7 for household and dependent care).

8 (2) The credit allowed by Section 17052.25 (relating to credit
9 for adoption costs).

10 (3) The credit allowed by Section 17053.5 (relating to renter’s
11 tax credit).

12 (4) The credit allowed by Section 17054 (relating to credit for
13 personal exemption).

14 (5) The credit allowed by Section 17054.5 (relating to credit
15 for qualified joint custody head of household and a qualified
16 taxpayer with a dependent parent).

17 (6) The credit allowed by Section 17054.7 (relating to credit
18 for senior head of household).

19 (7) The credit allowed by Section 17061 (relating to refunds
20 pursuant to the Unemployment Insurance Code).

21 (c) For purposes of this section, the “applicable amount” shall
22 be equal to 50 percent of the “net tax” (as defined in Section 17039)
23 before application of any credits.

24 (d) The amount of any credit otherwise allowable for the taxable
25 year under Section 17039 that is not allowed due to application of
26 this section shall remain a credit carryover amount under this part.

27 (e) The carryover period for any credit that is not allowed due
28 to the application of this section shall be increased by the number
29 of taxable years the credit (or any portion thereof) was not allowed.

30 (f) Notwithstanding anything to the contrary in this part or Part
31 10.2 (commencing with Section 18401) the credits listed in
32 subdivision (b) shall be required to be applied before any business
33 credits, as limited by subdivision (a), are applied.

34 (g) The provisions of this section shall not apply to a taxpayer
35 with net business income of less than five hundred thousand dollars
36 (\$500,000) for the taxable year. For purposes of this subdivision,
37 business income means:

38 (1) Income from a trade or business, whether conducted by the
39 taxpayer or by a ~~pastthrough~~ *passthrough* entity owned directly or

1 indirectly by the taxpayer. For purposes of this paragraph, the term
2 “passthrough entity” means a partnership or an “S” corporation.

3 (2) Income from rental activity.

4 (3) Income attributable to a farming business.

5 SEC. 2. Section 23036.2 of the Revenue and Taxation Code
6 is amended to read:

7 23036.2. (a) Notwithstanding any provision of this part or Part
8 10.2 (commencing with Section 18401) to the contrary, for each
9 taxable year beginning on or after January 1, 2008, and before
10 January 1, 2010, the total of all credits otherwise allowable under
11 any provision of Chapter 3.5 (commencing with Section 23604),
12 including the carryover of any credit under a former provision of
13 that chapter, for the taxable year shall not reduce the “tax” (as
14 defined in Section 23036) below the applicable amount.

15 (b) For purposes of this section, the “applicable amount” shall
16 be equal to 50 percent of the “tax” (as defined in Section 23036)
17 before application of any credits.

18 (c) The amount of any credit otherwise allowable for the taxable
19 year under Section 23036 that is not allowed due to the application
20 of this section shall remain a credit carryover amount under this
21 part.

22 (d) The carryover period for any credit that is not allowed due
23 to the application of this section shall be increased by the number
24 of taxable years the credit (or any portion thereof) was not allowed.

25 (e) The provisions of this section shall not apply to a taxpayer
26 with income subject to tax under this part of less than ~~\$500,000~~
27 *five hundred thousand dollars (\$500,000)* for the taxable year.